

TAX INCREMENT FINANCING (TIF) STUDY COMMISSION

DATE: April 19, 2012

CALLED TO ORDER: 6:10 p.m.

ADJOURNED: 8:05 p.m.

ATTENDANCE

ATTENDING MEMBERS

Steve Talley, Chairman
Billie Breaux
Deron Kintner
William Crawford
Brian Mahern
Ed Mahern
Jeff Spalding
Ryan Vaughn

ABSENT MEMBERS

AGENDA

Selected Projects and Expenses in Marion County TIF Districts – Part 2
Identify Issues – Comments and Recommendations for the TIF Policy Discussion
Perspectives on TIF Policy Issues

TAX INCREMENT FINANCING (TIF) STUDY COMMISSION

The Tax Increment Financing (TIF) Study Commission met on Thursday, April 19, 2012. Chairman Steve Talley called the meeting to order at 6:10 p.m. with the following members present: Billie Breaux, William Crawford, Deron Kintner, Brian Mahern, Ed Mahern, Jeff Spalding and Ryan Vaughn.

Chair Talley asked the Commission members to introduce themselves and indicate which office or position they represent.

Deron Kintner, Executive Director, Indianapolis Bond Bank, reviewed a Powerpoint presentation in detail, which is attached as Exhibit A. Some key points are:

- Airport TIF – United General Overview
 - The Airport TIF was created to improve the area and attract more private investment.
 - Consolidated Airport area includes seven redevelopment and economic development areas.
 - Approximately \$73 million in outstanding debt.
- Major Projects
 - United Airline Maintenance Facility
 - Ameriplex Projects
 - Comlux
- United
 - In 1991, the City's investment was \$111 million and Hendricks County put in \$8 million
 - In 2002, United declared bankruptcy and vacated the property.
 - The facility is currently being used by Republic with 900 employees.
 - The facility is 1.1 million square foot, making it the second largest facility.
 - Airport Authority covers the operating costs
 - The plan was to attract jobs and investment.
 - For 10 years, there were United jobs.
 - The lesson learned is that things do not always turn out as planned.
- Dow Agro Sciences
 - In 1991, the City issued bonds to Dow to locate in Marion County at 86th and Zionsville Road.
 - The bonds were for infrastructure improvements in that area and were paid off in 2006.
 - There is a \$6 million dollar per year benefit.
 - Dow's sales at \$4.5 billion per year.
 - Dow Agro Science came to the City looking to expand.
 - Jobs involved were a little over 1,031 at \$95,000 per year.
 - The total capital investment was \$340 million.

- The City's portion was \$20 million for infrastructure and corporate campus improvements.
- The bonds mature in 2025 on the increment on new investment.
- The City was chosen by an international search by Dow Agro Sciences.
- The State provided grant money.
- The Company chose Indianapolis.
- The Investment will pay for itself.
- The Project is not finished.
- The return on public investment is property taxes and County Option Income Tax (COIT).
- There will be a fair amount of indirect spending.

City-County Councillor Brian Mahern asked if it is atypical for more debt coming online. Mr. Kintner said that it is always helpful to avoid that. He said that a higher interest rate is paid the further that debt is out on the curve. Mr. Kintner said that if most of the debt is coming due in the 10th year, a greater interest rate will be paid then if it were coming due in the earlier years. Councillor Mahern asked if there was some contingency plan for TIFs in the past or if they just hoped that things would go well and then sort of figured it out if they did not. Mr. Kintner said that for the deals he has participated in, they have always felt comfortable. He said that if a project did not work, there will be enough coverage. Mr. Kintner said that the United Airlines debt was such a big piece that when United left, there has been difficulty having any type of contingency plan to deal with that. He said that the direct pledge on the United bonds is COIT with a TIF back-up, and in some ways, there was a contingency. It has been decided, however, it is best to use that TIF rather than take from the General Operating budget to make the debt payments.

Councillor Mahern asked if there was a need to use the COIT, if that would force the hand of the Council as the fiscal body. Mr. Kintner said that since COIT is a direct pledge, it would have to be used and changes made elsewhere.

William Crawford, State Representative, stated that there were clawbacks on United, and he asked Mr. Kintner if he has netted out what that quantifies. Mr. Kintner said that as he understands it, the City, State and the private bond holders are all competing for some share from United. He said that he believes that the City has about \$8 million as a result of that, so the City did receive a settlement in the bankruptcy. The City was not going to get a 100 cents on the dollar. Rep. Crawford asked how Mr. Kintner would present to the public, the successes of United Airlines. Mr. Kintner said that having that number of jobs for 10 years, the 900 jobs that are there now and hopefully having a big project or corporate client in the future could be considered a success.

Ed Mahern, Metropolitan Development Commission Chair, asked if Mr. Kintner knows what the City did with the \$8 million in clawbacks. Mr. Kintner said that it is in an account and will be used when they receive the debt numbers.

Councillor Mahern asked if this project is on land that is owned by The Airport Authority. Mr. Kintner answered in the affirmative. Councillor Mahern asked if the land was abated or exempt. Mr. Kintner said that it is exempt. Councillor Mahern asked if any of the funds have been used other than servicing the debt, pay-as-you-go expenditures or new debt issued since the United deal. Mr. Kintner said that there were two new deals; AmeriPlex and Comlux.

Maury Plambeck, Director, Department of Metropolitan Development (DMD), reviewed three TIF areas. Some key points are:

- Barrington HoTIF
 - Redevelopment and initial allocation area was created in 1988.
 - Redevelopment area plan was amended in 1990 to add property to acquisition list.
 - The TIF was created to do housing in the neighborhood.
 - In 1999, \$68,000 was spent on sewer and sidewalk repairs
 - Redevelopment and allocation area was expanded in 2005 to include the site of former Brokenburr Trail public housing, now known as Red Maple Grove.
 - Indianapolis Housing Agency developed Red Maple Grove and chose the developer, Brinshore Development.
 - The project was to provide single family homes and social services.
 - 10,000 square feet of retail
 - Housing and Urban Development (HUD) provided a \$16.6 million Hope VI grant.
 - The TIF dollars used for infrastructure of \$2.5 million bonds.
 - HOME dollars from HUD allocated over several years of \$3,065,000 for new low-income housing units.
 - The State provided low-income housing tax credits of \$1.2 million.
 - Other grants of \$1.1 million.
 - Outcomes: 165 multi-family units, 19 single-family units and a community center and amenities.
- United Northwest Area (UNWA)
 - Redevelopment TIF allocation area was created in 1995.
 - Two blighted buildings were demolished for a total of \$116,915.
 - There was no bond created for the UNWA TIF. It is a pay-as-you-go TIF.
 - There are 200 property acquisitions for \$285,000.
 - Total cost for improvements on Martin Luther King (MLK) Street was \$440,000.
 - TIF funds for MLK street improvements of \$350,000.
 - Unobligated cash balance in TIF fund of \$3.3 million.
 - Outcomes: five renovated storefronts, new retail center and three properties in planning stages for improvements.
- Martindale Industrial Redevelopment Area (former Ertel site)
 - Redevelopment area was created in 2007.

- The project was selected as a blighted, abandoned, industrial brownfield.
- The goal is to clean up the site.
- DMD acted as the developer.
- Major Tool and Machine is a business adjacent to this site that agreed to expand.
- Major Tool and Machine invested \$19.35 million.
- There are now 320 jobs, with 114 in Marion County.
- Other investment:
 - State Brownfield Grants (5) for \$598,165.
 - Indiana Department of Environmental management (IDEM) for \$140,000.
 - Environmental Protection Agency (EPA) grant for \$600,000.
 - City Redevelopment Bond for \$5 million
 - \$1.6 million for demolition
 - \$2.4 million for remediation
 - \$87,000 legal service
- One million dollars is set aside for additional work needed.
- The City sued for insurance from several companies, and the \$2.9 million settlement will go towards that bond.

Rep. Crawford asked if Mr. Plambeck was suggesting that absent the whole TIF in the Barrington area, the HOME dollars, the HOPE VI grant and the other federal grants would not have come, and how the percentage of federal dollars compares to any contributions from the City. Mr. Plambeck said that the measurement on this kind of project is to provide housing for low-income families. He said that City funds and federal funds used for 276 units. The HOPE VI grant was in place before the TIF was created. Mr. Plambeck said that the TIF creation was part of the application that IHA used when they went before the State for the housing tax credit. He said that when there are city contributions, it increases the score.

Rep. Crawford asked if the retail improvement at 29th and MLK is a liquor store and restaurant. Mr. Plambeck answered in the affirmative. Rep. Crawford said that he thought the street improvements in that area came from TIF. He said that there was a figure valued at \$10 million that was to go towards infrastructure. He asked what the source of that was. Mr. Plambeck said that the street improvements only cost \$1.8 million. Rep. Crawford asked if there was a \$10 million pot. Mr. Plambeck said that \$1.5 million was from DPW for capital improvements and \$350,000 from the TIF. He said as he stated in his presentation, there is a TIF balance of \$3.3 million.

Rep. Crawford asked if he heard Mr. Plambeck say that there was not a bond for UNWA. Mr. Plambeck answered in the negative. Rep. Crawford asked what the source of revenue is that generated \$3.3 million. Mr. Plambeck said that is the TIF.

Marion County Auditor, Billie Breaux stated that there were plans for retail at Fall Creek and Capital Avenue. She asked what happened there. Mr. Plambeck said that site is

where a Charter School is located, and there are plans for retail on the eastside of MLK between 24th and 25th Streets.

Ms. Breaux asked if there were additional grants for the Martindale Area TIF. Mr. Plambeck answered in the negative.

Chair Talley thanked Mr. Kintner and Mr. Plambeck for their presentations and the information provided to the Commission in prior meetings, as well as staff and subject matter experts. He said that these first four meetings have been primarily a series of listening sessions during which the Commission has received background information and data about TIFs that will serve as the basis for the discussions regarding policy and recommendations that the Commission will make.

Chair Talley said that he will provide the opportunity for the Commission members and the public to speak briefly about the topics related to TIF policy, procedure or process that they would like to see addressed by the Commission.

City-County Councillor Ryan Vaughn thanked Chair Talley for his leadership of the Commission. He said that Chair Talley has provided the members with a pretty extensive outlook on TIFs, and he has learned a lot. Councillor Vaughn said that he has learned that TIFs have really been an essentially economic development tool for the City of Indianapolis. He said that being a young and vibrant city, TIFs have been an integral part of that process, especially with the strength and the flexibility that the downtown TIF has provided, with the tools to continue to develop.

{Clerk's Note: Councillor Vaughn left at 7:05 p.m.}

Ms. Breaux stated that there has been a lot of excellent information shared, and she thinks that it has been helpful not only to those who are on the Commission, but to those that have been listening. She said that her concern is the use of TIF funds with respect to economic development or improvement areas. Ms. Breaux said that with respect to transparency of the TIFs, that has been an issue. She said that having this open dialogue has opened the door to maybe changing how things are done.

Councillor Mahern stated that there is a need to discuss the base and increment. He said that this Commission should discuss whether it makes sense to further erode that base to collect funds that only stay in the TIF. Councillor Mahern said that he hopes that they can find a way to do the TIF Neutralization process to minimize the property tax cap impacts. He said that if the Commission could legally and prudently, target the changes in AV over time to benefit the base. They need to look at changing where the property taxes are sent, in instances where there may be TIFs that are performing quite well, and to do that in a more structural way as opposed to a year-by-year basis. Councillor Mahern said they need to know how to use the excess TIF funds; whether they use it for paying the debt down or other pay-as-you-go projects, they need to flow things through or plan for that TIF being disassembled.

Councillor Mahern said that there may be discussion of having greater Council involvement, not to burden the process, but make it more legitimate. He said that there needs to be an understanding of the TIF lifecycle planning, understanding at the time the TIF is established how long it needs to exist and what are some of the successes of it. He said that another area of concern is the balance of economic development versus redevelopment, whether or not they put the foot a little more on the gas in areas that are doing well through economic development or if it would be smarter to provide redevelopment in areas where there does not seem to be much interest from a private investment standpoint. Councillor Mahern said that a discussion is needed for infrastructure definition standards. There was banter about TIFs being used for infrastructure, but there has been a variety of different uses, some of which loosely could be called infrastructure. Councillor Mahern said that another concern of his would be the reports, making sure that the information is provided.

Mr. Spalding said that he comes away from these meetings knowing that TIFs are a great economic tool. He said that TIF structure is ingenious and well conceived from its beginning, as opposed to abatements. One of the nice things about TIF is that all of the taxes are still being paid, and there is no relieving of tax burden; there is just a different use or allocation of the tax revenues paid to accomplish important goals. Mr. Spalding said that in this property tax cap era, this does cause a necessary and important reset with regard to TIF policy that is being discussed across the state. He said that there need to be ways to protect this important tool while also figuring out how to use it more actively and more aggressively to bolster the general operating tax base of the community. Mr. Spalding said that the City must be on guard to not make it so difficult or complicated to use TIF that it renders it useless. He said that the existing state law defines a lot of the playing field; and the law has established a provision which is useful and helpful for addressing a lot of the concerns that people have expressed about TIFs. The notion of the ability to pass increment through to the base and use that tool in a more strategic thoughtful, designed and planned out way from the beginning, is one of the key ways to move forward with TIF policy, recognizing that it is the most flexible tool for managing the relationship between the increment and the base, as opposed to an overall redesign of TIF.

Mr. Mahern stated that he first became concerned about TIFs last year. He said that accountability needs to lie with the elected officials and not with a board that is appointed by the elected officials. Mr. Mahern said there needs to be a way to pass some of the AV into the general taxes. He said that over the last five years, the AV in the TIF increased by 5.7% per year; and the AV for the rest of Marion County was zero. He said that this City cannot continue that kind of increase in that section and zero increase in the other without having fear of problems on funding the basics of government, whether it be police and fire, parks, libraries or IndyGo. Mr. Mahern said that he does not think that anyone on this Commission is opposed to TIF in general. They may be opposed to TIFs in some of the ways the excess funds are being spent or in the way that some of the development will happen on its own. He said that there are

a lot of plans to build parking garages as part of the TIF expenses for private use, and that concerns him going forward.

Mr. Kintner stated that everyone is on the same page in trying to do what is best for the city. Though they may not always agree on how to get there, he thinks that it is the intent of everyone on this Commission to find the best solution. He said that he thinks TIFs are an important tool, and eliminating them would severely limit the City's competitiveness in what is becoming a global field.

Rep. Crawford stated that some people might presume that he is against TIFs. He said that he favors TIFs as an economic development tool, but questions who it helps and who it hurts. He said that he is very supportive of the consolidated downtown TIF; but as he looks at the core neighborhood closest in proximity to the downtown TIF, the Babe Denny Neighborhood, he has not seen any tangible quantifiable benefit to that particular neighborhood. Rep. Crawford said that he will support any TIF that provides that balanced approach that helps neighborhoods, but challenges the Commission members to show him one manifestation of all of the TIF that this City has that meets the test of helping core neighborhoods.

Public Testimony

Pat Andrews, citizen, stated that these Commission meetings have been remarkable and she is hoping that the quality and the caliber remain. Ms. Andrews said that during the last two budget cycles, in the AmeriPlex part of the United TIF, \$2 million was moved through some "laundering" mechanism and then went to the libraries. She said that the last budget cycle, about \$8 million was moved out of that fund and into other TIF funds. Ms. Andrews stated that moving forward it would behoove the City to stop making certain promises about TIFs, because, the base will never change and the City is trying to increase the tax base causing some catalytic effect for economic development. Things are not clear and are thrown out there as though it is, but there is no proof being offered. She said that she would like to see some more specificity before TIFs are allowed to be created.

Norman Pace, citizen, stated that for many years, there has not been any accountability for how the funds in the TIFs are being used, and the public should have a say in it. Mr. Pace stated that he has sat through four meetings of this Study Commission and still does not have an understanding of what is going on. He said that he sees it as a manipulation of the taxpayer dollars to serve special interest groups.

Leif Hinterberder, citizen, stated that Marion County does not have a very clear system on how to use TIFs. This City needs to be brought up to speed with what the rest of the United States has been doing, building urban environments where people want to be again. The citizens of Marion County need to see this Commission show those multiplier effects, stop losses, and use projects at the center of the community. Mr. Hinterberder asked who is responsible in this City to make sure that elected officials are turn-keying

these sustainable community and economic development models with the TIF dollars, because the general fund is not designed to do it that way. There has to be formed-based financing to fill that gap by design.

Chris Price, citizen, stated that TIFs are essential to the development of the City, and he considers it an economic and redevelopment tool. He said that this City has so much respect, and it is time to "hit the gas" and focus on projects that can bring even more business to the City.

Mike Higabee, citizen, stated that TIFs have played an important role in this community, going all the way back to the 1980s. He said that all of the work that this community has done was to expand the tax base. Mr. Higabee said that the leadership in this community is the reason why this City has done well and has expanded. TIFs have not been mis-applied very often, and almost every project that has been supported by TIF has had a strong test applied to it. He said that the market does not naturally flow to the Midwest, and this City has been busy for the last 30 years to attract the market back. Mr. Higabee said that it is time to look at how the City attracts the market back to the neighborhoods, and that job is not done yet.

Joe Griffin, Beech Grove citizen, stated that the notification of projects being done should be done at the beginning of the process instead of 10 days beforehand. He said that the public does not understand economic development and to them, it is foreign. He said that most of the citizens do not understand the meaning of some things when it comes to TIFs, and it should be broken down so that the public, most whom are not economists, can understand the process. Mr. Griffin said that regular reporting in a less complex form would be nice. He said that there needs to be input from a neutral party so that there can be more tracking tools, because there appears to be very little. TIFs serve a purpose, and no one is arguing that question; it is just how they are done.

There being no further business, and upon motion duly made, the meeting was adjourned at 8:05 p.m.

Respectfully Submitted,

Steve Talley, Chairman

ST/lw



Deron S. Kintner
Executive Director/General Counsel

The Indianapolis Local Public Improvement Bond Bank

April 19, 2012



Consolidated Airport TIF District

A. Background

1. The Airport TIF was created to improve the area and attract more private investment. Additionally, the City has made efforts to promote growth of commercial and industrial development in this area in order to minimize unused vacant land.
2. Consolidated Airport Area includes 7 redevelopment and economic development areas.
3. Approximately \$73 Million outstanding debt

B. Resulting Major Projects

1. United Airline Maintenance Facility-1991
2. AmeriPlex Projects -2000 & 2007
3. Comlux -2011

C. TIF Performance History

Dollars in Thousands

<u>Pay Year</u>	<u>Total NAV</u>	<u>Base AV</u>	<u>Increment AV</u>	<u>Billed Revenues</u>	<u>Collected Rev.¹</u>	<u>Debt Service</u>	<u>Coverage²</u>
2012*	801,501,000	306,732,000	494,769,000	14,748,000	14,748,000*	15,790,000	93%
2011	826,248,000	354,186,000	472,061,000	14,041,000	12,790,000	15,605,000	90%
2010	822,492,000	358,755,000	463,737,000	13,769,000	13,622,000	15,613,000	88%
2009	815,286,000	332,941,000	482,849,000	15,184,000	14,675,000	15,657,000	97%
2008	806,752,000	342,941,000	463,810,000	15,734,000	15,745,000	23,676,000	66%

*Still to be collected, so we assumed collection at 100%

1. Source: Marion County Auditor Settlement Records

2. Coverage is calculated by dividing collected revenues by debt service

<u>Pay Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Revenues*</u>	<u>Debt Service</u>	<u>Coverage</u>
2012	14,121,203	626,509	14,747,712	15,604,771	95%
2013	14,121,203	626,509	14,747,712	15,604,071	95%
2014	14,121,203	626,509	14,747,712	15,608,951	94%
2015	14,121,203	626,509	14,747,712	15,613,052	94%
2016	14,121,203	626,509	14,747,712	15,636,963	94%
2017	14,121,203	626,509	14,747,712	1,469,303	1004%
2018	14,121,203	626,509	14,747,712	1,468,643	1004%
2019	14,121,203	626,509	14,747,712	1,470,233	1003%
2020	14,121,203	626,509	14,747,712	1,468,054	1005%
2021	14,121,203	626,509	14,747,712	547,000	2696%
2022	14,121,203	626,509	14,747,712	546,930	2696%

*Assumes that both Real Property and Personal Property Revenues will remain at constant levels till the bonds matured

*The projections assumes that collection will be 100% of the 2012 billed taxes, notice there is a significant difference between billed and collections.



Questions?